

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number : UNI - 0001

Department/Bureau Name: University of Maine System

Program : 0031 – University of Maine System

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(5,123,487)	(5,123,487)
Capital			
Total	0	(5,123,487)	(5,123,487)

**Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.**

**University of Maine System did not complete a template but instead provided a memorandum that included the following statements:**

“A reduction of \$5,123,487 in FY13 will increase the FY13 structural gap the University already faces by 50%. In addition to the reductions already necessary to close the current \$10 million structural gap in FY13, the University would have to further reduce the workforce by an additional 45 full-time equivalent employees. As a result of the downsizing an estimated 250 course offerings would be cancelled, impacting about 5000 students and potentially lengthening time to graduation for some. Student and administrative support services would also be impacted. Additionally, deferred maintenance, which already carries a \$350 to 400 million backlog, would increase as critical repairs are delayed. Finally, efforts to stabilize the financial condition of the University would be further hindered.”

**Memorandum from University of Maine System attached.**

## **University of Maine System**

August 12, 2011

### **Spending Reductions to Date**

The University has actively worked to reduce spending and limit tuition increases:

- Approved the lowest weighted average tuition increase in ten years, with comprehensive student charges (weighted average of tuition, mandatory fees, and room & board) for 2011-12 rising just 3.3% for in-state undergraduates.
- Reduced the projected financial structural gap for FY13 from \$43 million to \$10 million over the last three years.
- University workforce reduced by 7% since 2007; 397 full-time equivalent positions eliminated.
- Actual unrestricted operating expenses for the year ended June 30, 2010 were nearly \$5 million below FY09.
- No cost of living increases for employees since 2010.
- No executive pay increases since 2009.
- Implemented a retirement vesting requirement to generate annual savings of \$2 million by FY15.
- Implemented a wellness initiative to reduce health care costs and generate annual savings of \$2 million by FY13.
- Restructured retiree healthcare to generate annual savings of \$4 million beginning in FY10.
- Restructuring plans completed or in process at each institution, resulting in several million dollars in savings to date; going forward additional savings projected in excess of \$10 million.

- Increased centralization of IT, procurement, and accounts payable, resulting in savings of nearly \$2 million.
- Eliminated low-enrolled courses and academic programs to generate annual savings of \$2 million.

These actions reflect difficult choices by everyone at the University. At the same time, following our *New Challenges, New Directions Plan*, we have reallocated existing funds to make strategic investments in projects that reduce costs or expand revenues, as well as programs that meet the needs of Maine and its people. We are expanding the number of online academic programs and improving supports for distance learners; creating new programs such as the Pioneers Honors Program for students studying the STEM disciplines at USM; working with Maine's information technology industry to increase the number of computer science graduates; and expanding innovation engineering education to all seven universities to support entrepreneurial efforts in every academic discipline. The University has acted responsibly, absorbing painful reductions while making improvements in academic programs and administration. The level funding represented by the FY12 and FY13 biennial budget is essential, at a minimum, to protect progress, maintain affordable tuition, and support academic quality. Maine cannot afford to allow higher education to slip backwards while we attempt to build a 21<sup>st</sup> century economy. Simply put, higher education is economic development.

### **Educational and General Activities**

The General Fund appropriation to the Education and General Activities program is currently set at \$178,530,506 in both FY12 and FY13 represents a 2.6% decline in support for the University from the FY08 appropriation of \$183.2 million. Declining appropriation and the loss of stimulus dollars, combined with the commitment to modest tuition increases in order to maintain affordable postsecondary education for Maine citizens, results in a projected financial gap of \$10 million in FY13. This scenario

assumes a current services expenditure budget for the University, modest tuition increases with corresponding increases in university-based financial aid. The University will work to close this gap and ensure a balanced budget.

### **Maine Economic Improvement Fund**

The General Fund appropriation for the Maine Economic Improvement Fund program is currently set at \$14,700,000 in both FY12 and FY13 continues the State's commitment to match federal and private investment in university-based research in seven key areas for Maine: Aquaculture and Marine Sciences; Biotechnology; Composites and Advanced Materials Technologies; Environmental Technologies; Information Technologies; Advanced Technologies for Forestry and Agriculture; and Precision Manufacturing. The Maine Economic Improvement Fund has attracted more than \$250 million in federal and private-sector grants and contracts in just the past five years alone, yielding a 4:1 return on Maine's investment.

### **Summary**

The University is Maine's single, largest producer of an educated workforce annually awarding more than 5,500 academic degrees. Our seven universities and extensive distance-education structure provide educational services to 42,000 students each year. More than 500,000 individuals visit our campuses, research and arts centers each year and nearly two-thirds of our alumni—approximately 120,000 people—currently reside in Maine and contribute to the civic, community and economic life of our state. The University takes its stewardship role in Maine's educational, cultural and economic future seriously and continuously seeks to provide the means by which Maine people can achieve a better future.

The University understands the enormous financial challenge facing our state and is doing its part by looking within our own organization to control costs and mitigate tuition increases. We thank the Governor and the Legislature for its support of higher education and the recognition of higher education's role in Maine's economic future.

### **Impact**

A reduction of \$5,123,487 in FY13 will increase the FY13 structural gap the University already faces by 50%. In addition to the reductions already necessary to close the current \$10 million structural gap in FY13, the University would have to further reduce the workforce by an additional 45 full-time equivalent employees. As a result of the downsizing an estimated 250 course offerings would be cancelled, impacting about 5000 students and potentially lengthening time to graduation for some. Student and administrative support services would also be impacted. Additionally, deferred maintenance, which already carries a \$350 to 400 million backlog, would increase as critical repairs are delayed. Finally, efforts to stabilize the financial condition of the University would be further hindered.

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number : TEB-0001

Department/Bureau Name: Maine Community College System

Program : 0556, Maine Community College System – Board of Trustees

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(1,457,155)	(1,457,155)
Capital			
Total		(1,457,155)	(1,457,155)

**Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.**

In accordance with your July 22, 2011 request, the Maine Community College System has evaluated its operations to determine the impact of a \$1.46 million reduction in appropriations on our programs and personnel for FY13.

A \$1.46 million reduction in appropriation would likely force MCCS to suspend certain academic programs and curtail student services resulting in the following: An elimination of 5 to 7 programs and an additional 4 to 6 sections of continuing programs; A reduction of approximately 300 students (causing a loss of over \$680,000 in tuition revenues); There will be a significant loss in services to students and graduates throughout the System; The elimination of approximately 20 to 25 faculty, staff and administrative positions; 150 free courses eliminated; 1 Maine Quality Center project suspended.

It is important to note that our analysis did *not* identify specific programs because, if we had, our collective bargaining agreements require that we begin the process of notifying the individual faculty members that may be impacted. If you have any questions please feel free to contact me at any time.

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number MAT-0001

Department/Bureau Name: Maine Maritime Academy

Program : 0035 Maine Maritime Academy

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(228,402)	(228,402)
Capital			
Total	0	(228,402)	(228,402)

**Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.**

In conjunction with ongoing efforts to review possible opportunities to realize administrative cost savings, Maine Maritime Academy is attempting to define a scenario for providing at least the same level of certain campus support services at a reduced annual cost. While the particulars of the envisioned plans are not yet defined, it is the Academy's intention to be in a position to implement such changes prior to the end of this fiscal year if at all possible.

The reality of flat General Fund support to this institution throughout the biennium has provided additional incentive for us to explore creative ways to minimize support service costs in order to offset cost increases which are beyond our direct control (energy, insurances, etc.) with a minimum impact on student tuitions and fees.

Should, however, the state find it necessary to reduce our F.Y. 2013 appropriation by the \$228,402 target level proposed by the Part KKK Streamlining Initiative, we are hopeful that our aforementioned efforts will generate sufficient savings to offset such a reduction in state support.

Particulars regarding progress toward achieving the targeted savings will be dependent upon future collective bargaining negotiations and must therefore remain confidential until such time as agreement between the parties is reached.

Signed: \_\_\_\_\_  
Geoffrey A. Bellows  
Asst. Director of Fiscal Operations

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number: EDU-0004

Department/Bureau Name: Education

Program: 0308- General Purpose Aid to Local Schools

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(100,000)	(100,000)
Capital			
Total	0	(100,000)	(100,000)

### The salary supplement for NBPTS certified teachers

The 122<sup>nd</sup> legislature also enacted a state salary supplement for teachers certified by the National Board for Professional Teaching Standards. While the supplement has had the intended effect of encouraging teachers to attain NBPTS certification, costs for the supplement have risen, and we are finding that a large number of Board certified teachers are working in the state's highest-paying, lowest-need districts.

To contain costs and to encourage Board certified teachers to teach in our highest-need schools, we propose to the task force that we amend statute to only make the salary supplement available to teachers who work in schools that are Title 1 eligible and in which more than 30% of students qualify for free and reduced lunch. This is consistent with federal law, as those teaching in such schools are already eligible for federal student loan forgiveness programs. We anticipate that this policy change would save \$100,000 in FY 13, as the number of teachers receiving the state supplement would drop. Those teachers in wealthier districts who currently receive the salary supplement would no longer receive it.



# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number: EDU-0005

Department/Bureau Name: Education

Program: 0449 - Child Development Services

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(850,000)	(850,000)
Capital			
Total	0	(850,000)	(850,000)

**Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.**

#### CDS parent choice

As you are aware, this proposal has been considered by the legislature in the past, but has yet to be adopted. Briefly put, Maine currently allows students within a certain age bracket who are being served by CDS to continue to receive CDS services if their parents so choose, rather than receive services through nearby public schools. This creates additional costs to the CDS system, and is a policy provision that is not required under federal IDEA law.

In the debate over this proposal, legislators expressed concerns about eliminating this option altogether, so what we propose to the task force is that we create language that allows for families to continue to exercise this option, but only when the student's service plan team determines it is in the student's best interest developmentally. We feel that crafting the law this way, which is how this option was exercised before the CDS choice option was enacted, would preserve the choice option for those students best served by it, while limiting the costs to the state's General Fund. We estimate that this change in policy will generate \$850,000 in savings in FY 2013.

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number: FIO-0001

Department/Bureau Name: Finance Authority of Maine

Program: 0653 Student Financial Assistance

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		(297,020)	(297,020)
Capital			
Total		(297,020)	(297,020)

**Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.**

FAME's student financial assistance line of the budget helps fund three programs: the Maine State Grant (need-based grants for Maine undergraduate students); Educators for Maine (merit-based forgivable loan program for Maine students pursuing initial certification as a teacher, including speech pathology, or a career in early childhood education); and the Maine Health Professions Loan Program (need-based loans for Maine residents pursuing post-graduate medical, dental, or veterinary education).

FAME proposes that, if absolutely necessary, it would achieve the target reduction by reducing funding to the Educators for Maine Program in the amount of \$120,000 (would reduce participation by 20 students each year to an operating level of 20 students); to the Maine Health Professions Loan Program in the amount of \$100,000 (would reduce participation by 2 students each year); and to FAME administration of these two programs and the Maine State Grant Program in the amount of \$77,020.

This initiative would not affect any students currently participating in the programs, but would limit future participation of new students. No other agencies will be affected.

# STREAMLINING PROPOSAL

## PL 2011 C. 380 PART KKK

Department Code and Initiative Number: PUE-0001

Department/Bureau Name: Maine Public Broadcasting Corporation

Program: 0033 - MAINE PUBLIC BROADCASTING CORPORATION

*Note: You may propose a single initiative that involves multiple programs. If the proposal impacts multiple programs please copy the section below and note the program code above each. The impact of the proposal on other funds will be identified on a separate template.*

### General Fund Savings Projection

	SFY12	SFY13	Total Biennium
Position Count			
Personnel Services			
All Other		-\$46,526	-\$46,526
Capital			
Total	0	-\$46,526	-\$46,526

Provide a detailed description of the savings initiative. Please include a description of how services to the public will be impacted by the proposal, should it be adopted. If the initiative will impact other agencies, please identify the agencies and explain how they will be impacted.

***MPBN did not complete a template and instead provided a memorandum that included the following statements:***

"In the final analysis if you are looking to MPBN to actually save the targeted \$46,526 in our costs to provide the required broadcasting signal delivery throughout the State, we would reduce our use of professional services and cut out maintenance expenditures to accomplish this goal. The sum of those two line items in our Fiscal year 2012 budget is \$664,300, resulting in a targeted cut of 7%. However, since the State is already "savings" over \$500,000 through providing less than the statutorily required appropriation, MPBN does not believe that the cut is appropriate."

**Memorandum from MPBN attached.**



Maine Public Broadcasting Network

VIA EMAIL

Date: August 12, 2011  
To: H. Sawin Millett, Jr., Commissioner, Department of Administrative & Financial Services  
Cc: Lisa Wilson, Budget Analyst, Bureau of Budget  
From: *SFI* John F. Isacke, Vice President for Administration and CFO  
Subject: Initiative to Streamline and Prioritize Core Government Services

In response to your memorandum of July 22, 2011, Maine Public Broadcasting Network ("MPBN") submits the following response.

Sawin, as you know, Title 20-A MRSA §852 subparagraph 3, requires an annual appropriation to MPBN equal to the costs "for operating, constructing, equipping, maintaining, improving and replacing facilities ... in amounts sufficient to ensure delivery of broadcast sources throughout the State." As you also know, the State of Maine has not done so in the twenty years since the formation of MPBN. The appropriation for Fiscal 2012 will fall over \$500,000 short of MPBN's costs to provide the required delivery throughout the State. For Fiscal 2013, the difference between the appropriation and our costs will grow further.

Notwithstanding the above, MPBN would like to be responsive to your request in two ways: 1) initiatives we have already undertaken to reduce our costs of providing statewide broadcast signals, and 2) ideas that we have for further savings through cooperative efforts with other state agencies.

**Initiatives already undertaken:**

- In Fiscal 2008, the last full year before the United States entered into recession our total costs to provide broadcast services (as presented in MPBN's Audited Financial Statements) was \$3,239,503. (See attachment #1)
- In Fiscal 2009, recognizing the reduction in revenues brought on by that recession, MPBN made multiple changes to its operations to reduce costs
  - o We laid off several employees – reducing both head count and salary and benefit costs
  - o We converted to digital television broadcast only, eliminating our dual analog signals, thus saving substantial dollars on electricity costs
  - o And we cut back in other areas, with the result that our total costs to provide broadcast services was \$2,915,343 – down \$324,160 (10%).
- In Fiscal 2010, the first full year of the cost cutting efforts having taken effect, our costs dropped by a further \$688,194 to \$2,227,149, a cumulative reduction of \$1,012,354 (31%)!

- Sensing that we were coming out of recession and feeling the full pressure of employee stress from the downsizing, MPBN eased up in Fiscal 2011 and re-hired one of the positions, used more outside professional services to complete our required work and invested heavily in equipment (with the higher depreciation charges that this entails) and our costs rose to \$2,519,027 – still down \$720,476 (22%) from Fiscal 2008.
- In Fiscal 2012 we have again added back an additional position and are continuing to invest in new equipment. Our costs are budgeted to rise yet again, but by a smaller \$89,142.
- In addition to the above, with respect to the costs associated MPBN's appropriation, we continue to work closely with other state agencies to collaborate to both of our cost savings benefit. For example:
  - o We purchase heating oil for our Bangor facilities through a cooperative effort with the University of Maine Augusta, Bangor Campus, saving both of us dollars through combining our volume buying power.
  - o Also we purchase snow plowing and facilities maintenance services from the University of Maine Augusta, Bangor Campus, saving us money and providing them a higher volume of work to keep their staff productively employed.
  - o Rather than doing our own printing and mailing, MPBN's Membership Department uses the University of Maine at Orono's print operation, again saving us money and providing the University the advantage of the volume for paper purchases and mailing discounts.

**Cooperative cost savings ideas for the future:**

- In the spirit of either outright savings or "keeping the money within the family" of state agencies we offer the following:
  - o Many state agencies hire outside firms to do video production for many purposes, such as Public Service announcements, advertising campaigns or other promotional reasons. MPBN has an experienced, professional staff and the equipment required to provide such video production services. We may be willing and able to do so cheaper than their current vendors. We already do so for the University of Maine in support of a National Science Foundation grant – in this case providing half hour documentaries used by the University for grant required public outreach.
  - o Many state agencies have advertising budgets that are devoted to outside agencies and, in turn, commercial broadcasting operations. MPBN provides Underwriting for many state agencies out of their advertising budgets. More agencies could do so, accessing our large statewide television and radio audiences and "keeping the money in the family." If enough agencies were to participate collectively, MPBN may be willing to establish a "rate schedule" for state agencies that provides a quantity discount from our published rate schedules.
  - o Since receipt of your July 22<sup>nd</sup> memo, MPBN's Director of Information Technology has met with the University of Maine System's Chief Information Officer to explore cooperative efforts at collaboration and mutual support. Many areas were identified and are being pursued. One such area would be for the University's technology trouble shooting center (which is only manned about 10 hours per day), to

use MPBN's 20 hour a day Master Control center staff as a live voice answering system to provide triage services for the University – directing call out staff of the University to assist its customers – students, professors and staff, during off hours. I am certain that throughout other agencies of the state there are mismatched needs versus required staffing that could be married to provide better, more cost effective services.

Sawin, in the final analysis if you are looking to MPBN to actually save the targeted \$46,526 in our costs to provide the required broadcast signal delivery throughout the State, we would reduce our use of professional services and cut our maintenance expenditures to accomplish this goal. The sum of those two line items in our Fiscal 2012 budget is \$664,300, resulting in a targeted cut of 7%. However, since the State is already "saving" over \$500,000 through providing less than the statutorily required appropriation, MPBN does not believe that the targeted cut is appropriate.

MPBN has shown over the years that it is a very good steward of the funds provided from many sources, including the State. When resources are scarce we reduce our spending, while still providing award winning statewide programming – despite the stress on the organization and its employees.

Our President, Jim Dowe, and I are prepared to meet with you and/or your staff at any time to further the State's goals of collaboration, cooperation and efficiency. We believe that we have shown both a willingness, a capacity and capability of doing all of those things.

Please let us know if we can be of further assistance.

[jjisacke@mpbn.net](mailto:jjisacke@mpbn.net)  
(207) 330-4513

## Attachment #1

## Maine Public Broadcasting Network

Statement of Functional Expenses  
**SCHEDULE OF TECHNICAL OPERATING COSTS**  
 FY 08 through FY 11 Actual  
 and FY12 Budget

	Transmission Department Costs				Budget	
	Actual					FY 12
	FY 08	FY 09	FY 10	FY 11		
Salaries and benefits	\$ 1,468,054	\$ 1,301,415	\$ 920,832	\$ 970,117	\$ 1,045,504	
Professional Services	241,746	288,508	254,284	381,437	357,700	
Electricity	497,386	428,606	316,699	313,475	306,600	
Maintenance	202,369	174,148	157,427	159,360	171,900	
Postage	2,945	2,755	1,755	2,142	2,500	
Travel and Conferences	41,440	34,947	28,162	31,635	31,500	
Rent	65,120	84,615	88,116	95,815	93,400	
Insurance	44,004	52,012	28,992	22,221	20,052	
Telephone	25,177	25,277	26,847	26,896	26,900	
Miscellaneous	788	1,213	1,345	11,778	1,500	
Office and Technical Supplies	17,818	16,531	11,794	17,464	17,900	
Computer Services	102,746	100,188	88,762	64,324	72,500	
Training *	12,989	5,937	-	-	100	
Video Tape	5,030	2,544	-	-	-	
Subscriptions	2,118	2,721	3,445	2,211	2,500	
Subtotals	2,729,730	2,521,417	1,928,460	2,098,875	2,150,556	
Depreciation	509,773	393,926	298,689	420,152	457,613	
	<u>\$ 3,239,503</u>	<u>\$ 2,915,343</u>	<u>\$ 2,227,149</u>	<u>\$ 2,519,027</u>	<u>\$ 2,608,169</u>	
Change from Prior Year		<u>\$ (324,160)</u>	<u>\$ (688,194)</u>	<u>\$ 291,878</u>	<u>\$ 89,142</u>	
Cumulative Change from FY 08		<u>\$ (324,160)</u>	<u>\$ (1,012,354)</u>	<u>\$ (720,476)</u>	<u>\$ (631,334)</u>	

\* Training moved to HR Budget in FY 10. Departmental training still occurs - just charged to different department.